

BIG 5 HLABISA MUNICIPALITY



TARIFFS POLICY 2017/2018

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PART 1: GENERAL INTRODUCTION AND OBJECTIVE

- 1.1 A tariffs policy must be compiled, adopted and implemented in terms of Section 74 of the Local Government: Municipal Systems Act 2000, such policy to cover, among other things, the levying of fees for municipal services provided by the municipality itself or by way of service delivery agreements.
- 1.2 The tariffs policy has been compiled considering, where applicable, the guidelines set out in Section 74.
- 1.3 In setting its annual tariffs the council shall at all times take due cognisance of the tariffs applicable elsewhere in the economic region, and of the impact which its own tariffs may have on local economic development.

PART 2: GENERAL PRINCIPLES

- 2.1 Service tariffs imposed by the local municipality shall be viewed as user charges and shall not be viewed as taxes, and therefore the ability of the relevant consumer or user of the services to which such tariffs relate, shall not be considered as a relevant criterion (except in the case of the indigence relief measures approved by the municipality from time to time).
- 2.2 The municipality shall ensure that its tariffs are uniformly and fairly applied throughout the municipal region.
- 2.3 Tariffs for the major service rendered by the municipality, namely:
- the refuse removal

Shall as far as possible recover the expenses associated with the rendering of such service. The tariff which a consumer or user pays shall therefore be directly related to the standard of service received and the quantity of the service used or consumed.

- 2.4 The municipality shall, as far as circumstances reasonably permit, ensure that the tariffs levied in respect of the foregoing services further generate an operating surplus each financial year. Such surpluses shall be applied in relief of property rates and for the partial financing of general services or for the future capital expansion of the service concerned, or both. The modesty of such surplus shall prevent the service tariffs concerned from being viewed as concealed taxes.
- 2.5 The municipality shall develop, approve and at least annually review an indigent support programme for the municipal area. This programme shall set out clearly the municipality's cost recovery policy in respect of the tariffs which it levies on registered indigents, and the implications of such policy for the tariffs which it imposes on other users and consumers in the municipal region.
- 2.6 In line with the principles embodied in the Constitution and in other legislation pertaining to local government, the municipality may differentiate between different categories of users and consumers in regard to the tariffs which it levies. Such differentiation shall, however, at all times be reasonable, and shall be fully disclosed in each annual budget.
- 2.7 The municipality's tariff policy shall be transparent, and the extent to which there is cross-subsidization between categories of consumers or users shall be evident to all consumers or users of the service in question.
- 2.8 The municipality further undertakes to ensure that its tariffs shall be easily explainable and understood by all consumers and users affected by the tariff policy concerned.

2.9 The municipality also undertakes to render its services cost effectively in order to ensure the best possible cost of service delivery.

2.10 The municipality shall levy monthly availability charges for the services concerned, and these charges shall be fixed for each type of property as determined in accordance with the detailed policies set out below.

2.12 In adopting what is fundamentally a two-part tariff structure, namely a fixed availability charge coupled with a charge based on consumption, the municipality believes that it is properly attending to the demands which both future expansion and variable demand cycles and other fluctuations will make on service delivery.

2.13 In considering the costing of its refuse removal services, the municipality shall take due cognisance of the high capital cost of establishing and expanding such services, and of the resultant high fixed costs, as opposed to variable costs of operating these services. The municipality therefore undertakes to plan the management and expansion of the services carefully in order to ensure that both current and reasonably expected future demands are adequately catered for, and that demand levels which fluctuate significantly over shorter periods are also met. This may mean that the services operate at less than full capacity at various periods, and the costs of such surplus capacity must also be covered in the tariffs which are annually levied.

PART 3: CALCULATION OF TARIFFS FOR MAJOR SERVICES

In order to determine the tariffs which must be charged for the refuse removal services, the municipality shall identify all the costs of operation of the undertaking, including specifically the following:

- Collection costs;

- Depreciation expenses;
- Maintenance of infrastructure and other fixed assets;
- Administration and service costs, including:
 - service charges levied by other departments such as finance, human resources and legal services;
 - reasonable general overheads, such as the costs associated with the office of the municipal manager;
 - adequate contributions to the provisions for bad debts and obsolescence of stock;
- all other ordinary operating expenses associated with the service concerned (note: the costs of the democratic process in the municipality – that is, all expenses associated with the political structures of the municipality – shall form part of the expenses to be financed from property rates and general revenues, and shall not be included in the costing of the major services of the municipality).
- The intended surplus to be generated for the financial year, such surplus to be applied:
 - as an appropriation to capital reserves; and/or
 - Generally, in relief of rates and general services.
 - The cost of approved indigent relief measures.

PART 4: PROPERTY RATES

4.1. Property rates will be charged in line with the Property Rates Policy and the following tariffs will be applicable on different categories: Refer to tariff schedule

| | |
|---------------------------|-------------------------------|
| Residential Properties | : 0.016311654 of market value |
| Business or Commercial | : 0.018126818 of market value |
| Agriculture Properties | : 0.004085506 of market value |
| Public Service Properties | : 0.004085506 of Market value |
| Specialize Properties | : 0.021096827 of market value |

PART 5: REFUSE REMOVAL SERVICE

- 5.1 Refuse removal charges shall be charged at applicable tariffs as determined by council in each annual budget, according to the principles set out in 4.3 and 4.4 below.
- 5.2 Tariff adjustments shall be effective from 1 July each year.
- 5.3 Refuse removal charges shall be levied on the basis of the category as follows: (ref tariff schedule)

| | |
|--|----------------------------|
| Residential Location | : R113.46per month |
| Residential Town | : R182.80 per month |
| Vacant Site (site clearing) | : R0 per month |
| Commercial | : R1271.64 per month |
| Public Benefit Organization | : R167.59 per month |
| Office rentals | : R1271.64 per month |
| Hospitality Industries (e.g. B&B) | : R1271.64 per month |
| Government Properties (other than used as residential) | : R182.80(T) or R113.46(L) |

PART 6: MINOR TARIFFS

- 6.1 All minor tariffs shall be standardized within the municipal region.
- 6.2 All minor tariffs shall be approved by the council in each annual budget, and shall, when deemed appropriate by the council, be subsidized by property rates and general revenues, particularly when the tariffs will prove uneconomical when charged to cover the cost of the service concerned, or when the cost cannot accurately be determined, or when the tariff is designed purely to regulate rather than finance the use of the particular service or amenity.
- 6.3 All minor tariffs over which the municipality has full control, and which are not directly related to the cost of a particular service, shall annually be adjusted at least in

line with the prevailing consumer price index, unless there are compelling reasons why such adjustment should not be effected.

6.4 The following services shall be considered as community services, and no tariffs shall be levied for their use:

- municipal reference library
- municipal lending library (except for fines set out below)
- Municipal botanical garden, and all other parks and open spaces.

6.5 The following services shall be considered as economic services, and the tariffs levied shall cover 100% or as near as possible to 100% of the budgeted annual operating expenses of the service concerned:

- housing rentals
- rentals for the use of municipal halls and other premises (subject to the proviso set out below)
- building plan fees
- cleaning of stands or plots
- Photostat copies and fees
- Clearance certificates.
- disposal of garden refuse at the municipal tip site
- rentals for the use of municipal sports facilities

6.6 The following charges and tariffs shall be considered as regulatory or punitive, and shall be determined as appropriate in each annual budget:

- fines for lost or overdue library books
- advertising sign fees
- penalty and other charges imposed in terms of the approved policy on credit control and debt collection

6.7 Market-related rentals shall be levied for the lease of municipal properties.

6.8 In the case of rentals for the use of municipal halls and premises, the council may by resolution determine categories of users of such halls and premises which are entitled to discounts on the grounds that they are required for non-profit purposes or for the provision of a service to the community. If the municipal manager is satisfied that a prospective user falls within such a category and a hall or premises are required by such user for non-profit making purposes and for the provision of a service to the community, the municipal manager may waive up to 50% of the applicable rental.

6.9 The municipal manager shall determine whether an indemnity or guarantee must in each instance be lodged for the rental of municipal halls, premises and sports fields, and in so determining shall be guided by the likelihood of the municipality's sustaining damages as a result of the use of the facilities concerned.

ANNEXURE: LEGAL REQUIREMENTS

LOCAL GOVERNMENT: MUNICIPAL SYSTEMS ACT NO. 32 OF 2000

SECTION 74: TARIFF POLICY

The council of a municipality must adopt and implement a tariff policy on the levying of fees for the services provided by the municipality itself or by way of service delivery agreements.

Such policy must comply with the provisions of the present Act and any other applicable legislation.

Such tariff policy must reflect at least the following principles:

- that users of municipal services must be treated equitably in the application of the municipality's tariffs;
- that the amount individual users pay for services must generally be in proportion to the use of such services;
- that poor households must have access to at least basic services through tariffs which cover only operating and maintenance costs, special tariffs or lifeline tariffs for low levels of use or consumption of services or for basic levels of services, or any other direct or indirect method of subsidisation of tariffs for poor households;
- that tariffs must reflect the costs reasonably associated with rendering the service, including capital, operating, maintenance, administration and replacement costs, and interest charges;
- that tariffs must be set at levels that facilitate the financial sustainability of the service, taking into account subsidisation from sources other than the service concerned;

- that provision may be made in appropriate circumstances for a surcharge on the tariff for a service;
- that provision may be made for the promotion of local economic development through special tariffs for categories of commercial and industrial users;
- that the economic, efficient and effective use of resources, the recycling of waste, and other appropriate environmental objectives must be encouraged;
- that the extent of subsidisation of tariffs for poor households and other categories of users must be fully disclosed.

The tariff policy may differentiate in respect of services, service standards, service providers and other matters between different categories of users, debtors or geographical areas.

If the policy entails such differentiation, the municipality must ensure that this does not amount to unfair discrimination.

SECTION 73: GENERAL DUTY

The municipality must give effect to the provisions of the Constitution, and in doing so give priority to the basic needs of the local community, promote the development of the local community, and ensure that all members of the local community have access to at least the minimum level of basic municipal services.

The services provided by the municipality must be: equitable and accessible; provided in a manner conducive to the prudent, economic, efficient and effective use of available resources, and the improvement of standards of quality over time; financially sustainable; environmentally sustainable; and regularly reviewed with a view to upgrading, extension and improvement.

SECTION 75: BY-LAWS TO GIVE EFFECT TO POLICY

The council of the municipality must adopt by-laws to give effect to the implementation and enforcement of its tariff policy.

Such by-laws may differentiate in respect of services, service standards, service providers and other matters between different categories of users, debtors or geographical areas, but in a manner which does not amount to unfair discrimination.

COUNCIL APPROVAL AND EFFECTIVE DATE

Approval of Policy by Council.....

Effective date: 1st of July 2017

MM Signature.....
Dr. VJ Mthembu

Date Signed:.....